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**EUROPEAN COMMITTEE ON CRIME PROBLEMS**  
**(CDPC)**

**SELECT COMMITTEE OF EXPERTS ON THE EVALUATION**  
**OF ANTI-MONEY LAUNDERING MEASURES**  
**(MONEYVAL)**

**SELF-ASSESSMENT OF MONEYVAL MEMBER STATES AGAINST THE**  
**SPECIAL RECOMMENDATIONS ON TERRORIST FINANCING:**  
**THE POSITION AS OF MAY 2004**

*Note by*

*The Council of Europe Secretariat, Strasbourg*

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## **I. BACKGROUND AND CONTEXT**

Prior to the terrorist attacks against the United States on 11 September 2001 issues connected to the financing of terrorism had not been a significant feature of the work of the Financial Action Task Force on Money Laundering (FATF) or of other specialised bodies operating in this sphere including MONEYVAL (formerly (and better) known as the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV)). However, in the wake of those tragic events that posture of relative neglect has been radically transformed.

Of particular relevance for present purposes was the decision taken at the extraordinary plenary session of the FATF held in Washington, D.C. on 29 and 30 October 2001 to extend its mandate so as to formally embrace efforts to combat the financing of terrorism. To that end the plenary formulated eight Special Recommendations. These commit FATF members to:

- Take immediate steps to ratify and implement the relevant United Nations instruments;
- Criminalise the financing of terrorism, terrorist acts and terrorist organisations;
- Freeze, seize and confiscate terrorist assets;
- Report suspicious transactions linked to terrorism;
- Provide the widest possible range of assistance to other countries' law enforcement and regulatory authorities for terrorist financial investigations;

- Impose anti-money laundering requirements on money remittance systems, including informal value transfer systems;
- Strengthen customer identification measures in international and domestic wire transfers; and,
- Ensure that entities, in particular non-profit organisations, cannot be misused to finance terrorism.

The underlying philosophy was that these measures, when combined with the then existing forty Recommendations (as revised in 1996), would provide an appropriate framework for the prevention, detection and suppression of the financing of terrorism and terrorist acts.<sup>1</sup>

The Washington, D.C. meeting also formulated a Plan of Action intended, *inter alia*, to promote and secure the speedy and effective implementation of these measures. A key element of this programme of measures was the decision to conduct a self-assessment exercise in order to verify that the eight Special Recommendations were being implemented in an appropriate and timely fashion.

The initial focus of activity was on implementation by FATF members. A detailed questionnaire was developed (SAQTF) containing a range of questions on each of the new recommendations and responses were submitted in January 2002. As the FATF Annual Report, issued on 21 June 2002, was to note: “The results are encouraging . . . The overall picture that emerges from these results appears to show that FATF members have made a great deal of progress in a very short time (eight months) in

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<sup>1</sup> The FATF Recommendations were again subject to revision in June 2003 and in a manner sensitive to issues concerning the financing of terrorism.

putting counter-terrorist financing measures into place” (para. 24). Annex C of that report contains a table showing the overall results for each FATF member. This is updated from time to time to reflect progress achieved in the field of implementation.

The above process was not, however, without its difficulties. In particular, for present purposes, it should be noted that while the SAQTF elicited information on each of the Special Recommendations the decision was subsequently taken to exclude the data on Special Recommendation (SR) VIII from the analysis. This course of action was adopted in the light of the then lack of agreement within the FATF as to the exact scope and consequences of the wording as agreed to at the October 2001 meeting.

The second central dimension of the assessment process was to seek, from the outset, to promote the exercise on a global basis. In the words of the October Plan of Action: “All countries around the world will be invited to participate on the same terms as FATF members”. In order to encourage participation in this exercise, and to mobilise international support for the standards articulated in the Special Recommendations, the FATF held, on 1 February 2002, a special forum on terrorist financing at the conclusion of its plenary meeting in Hong Kong. As the June 2002 Annual Report noted (para. 26): “Sixty-five jurisdictions from the FATF and from the FATF-style regional bodies in Asia, Eastern and Southern Africa, South America, Caribbean and Europe, and the Offshore Group of Banking Supervisors participated in the Forum. In addition, nine international organisations also attended.”

At the same time the FATF called upon non-member states and territories to undertake self-assessment on or before 1 May 2002. This time-frame was subsequently extended to 1 September.

To facilitate this process a slightly modified version of the SAQTF was developed and posted on the FATF website. Furthermore, “it was decided that additional guidance would be drafted and published to assist non-FATF members to understand some of the concepts contained in the Special Recommendations on terrorist financing and to clarify certain parts of the SAQTF. Therefore, in March 2002, the FATF published Guidance Notes for the Special Recommendations on Terrorist Financing and the Self-Assessment Questionnaire” (Annual Report, 2001-2002, para. 28).

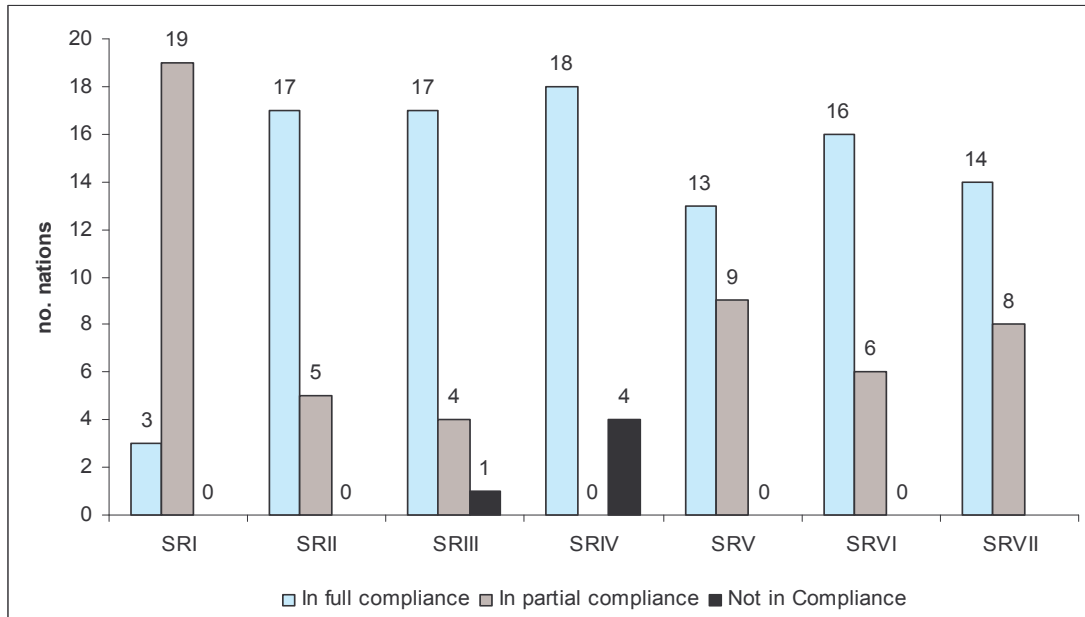
The above-mentioned developments were embraced by MONEYVAL and its member states. This is perhaps best illustrated by the decision taken by the European Committee on Crime Problems in the first half of 2002 to revise its terms of reference in order to specifically include the issue of the financing of terrorism. The new text recognised the eight Special Recommendations as international standards and authorised the evaluation of the performance of MONEYVAL member states in complying with the same.

The Committee and its Secretariat also offered support to the self-assessment process. However, the manner in which they did so differed from that of other actors in the anti-money laundering field. In general it may be said that non-FATF members participating in this process have utilised the FATF Questionnaire and the associated

guidance and forwarded responses directly to the FATF Secretariat in Paris. In the context of MONEYVAL, however, it was decided that the responses should be sent to its own Secretariat in Strasbourg. The following extract from the Summary Report of the sixth meeting of the Bureau (11-13 March 2002) sets out the underlying reasoning for this course of action and its formal implications:

The Chairman also stressed that the questionnaire related to the financing of terrorism, though launched initially by the FATF in relation to its own membership, has also become a PC-R-EV document and, as such, it needs to be returned by PC-R-EV members to the PC-R-EV and not to the FATF secretariat or any of its FATF member States although PC-R-EV members were free to copy their responses to the FATF secretariat and/or any of the FATF member states as they deemed fit.

The resulting study, which was posted on the MONEYVAL web site ([www.coe.int/moneyval](http://www.coe.int/moneyval)), reflected the self-assessment of 22 of its Member States against the Special Recommendations as of 30 September 2002. The overall results of that exercise can be illustrated as follows:



It was clear from the study that significant progress had been recorded in a relatively short period of time in giving effect to international standards in this important area of concern. It was especially encouraging that the number of returns indicting non-compliance with the individual Special Recommendations was relatively small. It will also be recalled that a common feature of the responses to the Questionnaire which formed the basis for this first report were the numerous indications of governmental intent to move, in a timely fashion, towards enhanced compliance with difference aspects of the framework of measures against the financing of terrorism,

It was subsequently decided by MONEYVAL that the state of overall compliance should be subject to further monitoring and that the original report should be updated. The present analysis has been undertaken in the discharge of that mandate.



## II THE FRAMEWORK FOR ANALYSIS AND RELATED ISSUES

The present analysis is based on information provided by 26 MONEYVAL members; four more than in 2002. The jurisdictions included for the first time are Bosnia and Herzegovina, Monaco, the Russian Federation, and Serbia and Montenegro.<sup>2</sup> The Republic of Armenia, which was not considered in the first report, submitted to the Secretariat a detailed statement of its posture concerning compliance with relevant international standards. Unfortunately this did not take the form of a completed Questionnaire and for that reason it was not possible to address its position within the restricted confines of the present exercise.

It should be noted that several versions of the Questionnaire have been prepared within the FATF over time. Importantly for present purposes the version as initially formulated does not include reference to the implementation of UN Security Council Resolution 1390 (2002). A number of MONEYVAL members have utilised this version. Consequently no date concerning implementation of that Resolution was available in respect of those jurisdictions.

Several other factors should also be borne in mind in examining this report and its appendices. It should be noted in particular that this analysis has taken the form of a *pure self-assessment exercise*. Consequently the data utilised is exclusively that provided by the relevant member states.

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<sup>2</sup> It should be noted, however, that the replies to the Questionnaire are intended to reflect the position of Serbia alone and this report should be read in that light.

A provisional analysis was prepared in the course of April 2004, the results of which represented a snap-shot of progress towards compliance with the Special Recommendations as of the date of completion of the Questionnaire(s). In this context it should be recalled that the instructions for completion of the SAQTF contained the following injunction: “Your responses to this questionnaire should reflect the current situation in your jurisdiction and not any future or desired situation based on preconditions that have not yet been met”.

The provisional analysis was discussed at the MONEYVAL plenary meeting in May of that year. It was there decided that member states would be afforded a short period of time in which to indicate to the Council of Europe Secretariat any possible errors contained in that analysis and to update the data provided in their self-assessment responses so as to reflect progress made towards implementation. Several jurisdictions took advantage of this decision.<sup>3</sup>

In what follows the results of this exercise are set out, in general and comparative terms, in the text. The attention of the reader is also directed to the appendices which consist, *inter alia*, of detailed tables indicating the status of compliance for each respondent state to Special Recommendations I to VII inclusive. As indicated in the previous section of this work responses to questions relating to Special Recommendation VIII have been excluded. Unless otherwise stated in the text or an associated explanatory note the basis for the compliance classification was as follows:

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<sup>3</sup> The updated response from The Former Yugoslav Republic of Macedonia, dated 9 June 2004, was received by the Secretariat too late to find reflection in this Report.

- In full compliance (C): all relevant responses were ‘yes’;
- In partial compliance (P); some relevant responses were ‘yes’;  
and,
- Not in compliance (N); no relevant responses were ‘yes’.

### **III. OVERVIEW OF THE RESULTS OF THE SELF-ASSESSMENT**

#### ***I. Ratification and implementation of UN instruments***

*Each country should take immediate steps to ratify and to implement fully the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism.*

*Countries should also immediately implement the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly United Nations Security Council Resolution 1373.*

This Recommendation embraces six elements.

- States should ratify and fully implement the 1999 UN International Convention for the Suppression of the Financing of Terrorism;  
and,

- They should implement the following Resolutions of the UN Security Council: 1267 (1999), 1269 (1999), 1333 (2000), 1373 (2001), and 1390 (2002).

All of these elements must be satisfied in order for a state to be classified as being in full compliance.

In so far as the UN Convention is concerned the Guidance Notes of March 2002 read, in part, as follows:

5. For the purposes of this Special Recommendation, *ratification* means having carried out any necessary national legislative or executive procedures to approve the UN Conventions **and** having delivered appropriate ratification instruments to the United Nations. *Implementation* as used here means having put measures in place to bring the requirements indicated in the UN Convention and UNSC Resolutions into effect. The measures may be established by law, regulation, directive, decree, or any other appropriate legislative or executive act according to national law.

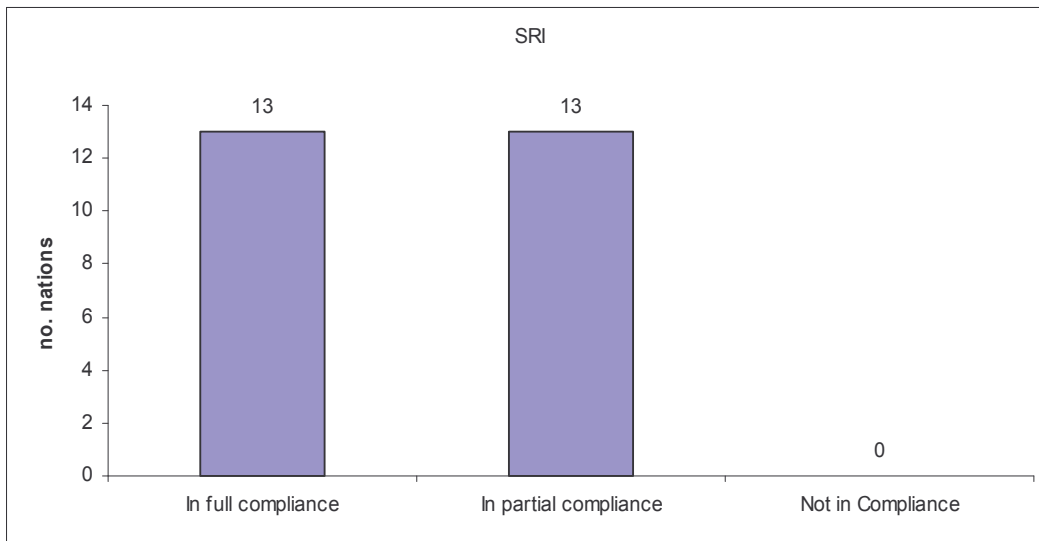
Question 1.1, however contained fields for signature, ratification and implementation but not for the actual deposit of the instrument of ratification (or accession) with the UN Secretary General.<sup>4</sup> A further complicating factor in this context was that, as

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<sup>4</sup> The Table at Appendix I contains two columns under the heading of the UN Convention: viz, signed/ratified, and fully implemented. In so far as the former is concerned a compliance value for each state was derived on the following basis (as suggested by the underlying context of the law of treaties): C = signature and ratification, or accession; P = signature; and, N = neither signature nor

noted in the previous section, data on the implementation of Resolution 1390 (2002) was absent from returns made by several jurisdictions.<sup>5</sup>

The overall results of the analysis of Special Recommendation I can be illustrated as follows:



## ***II. Criminalising the financing of terrorism and associated money laundering.***

*Each country should criminalise the financing of terrorism, terrorist acts and terrorist organisations. Countries should ensure that such offences are designated as money laundering predicate offences.*

This Special Recommendation contains two explicit elements; namely:

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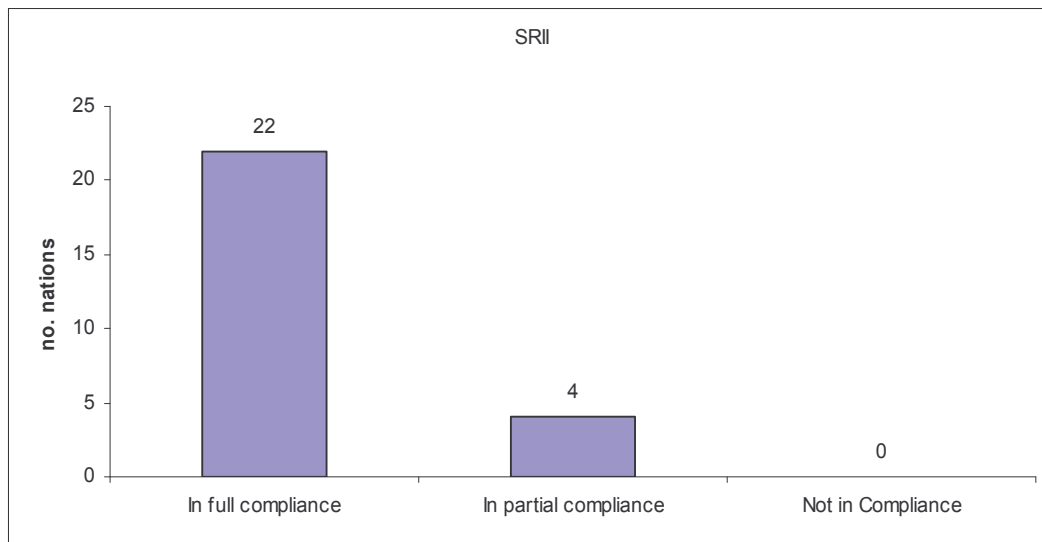
accession. In so far as the UN Security Council Resolutions are concerned, MONEYVAL members were assessed on the basis of full, partial or non implementation.

<sup>5</sup> See further, the note to Table I below.

- Jurisdictions should criminalise “the financing of terrorism, of terrorist acts and of terrorist organisations”; and,
- Jurisdictions should establish terrorist financing offences as predicate offences for money laundering.

However, as is clear both from the Guidelines and the Questionnaire itself<sup>6</sup>, the issue of whether or not such offences apply on an extraterritorial basis is also relevant. All three elements must therefore be satisfied for a state to be classified as being in full compliance.

Full details of compliance on a state by state basis are set out in Appendix II. For present purposes the overall position can be summarised thus:



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<sup>6</sup> See, question II.3.

### ***III. Freezing and confiscating terrorist assets.***

*Each country should implement measures to freeze without delay funds or other assets of terrorists, those who finance terrorism and terrorist organisations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts.*

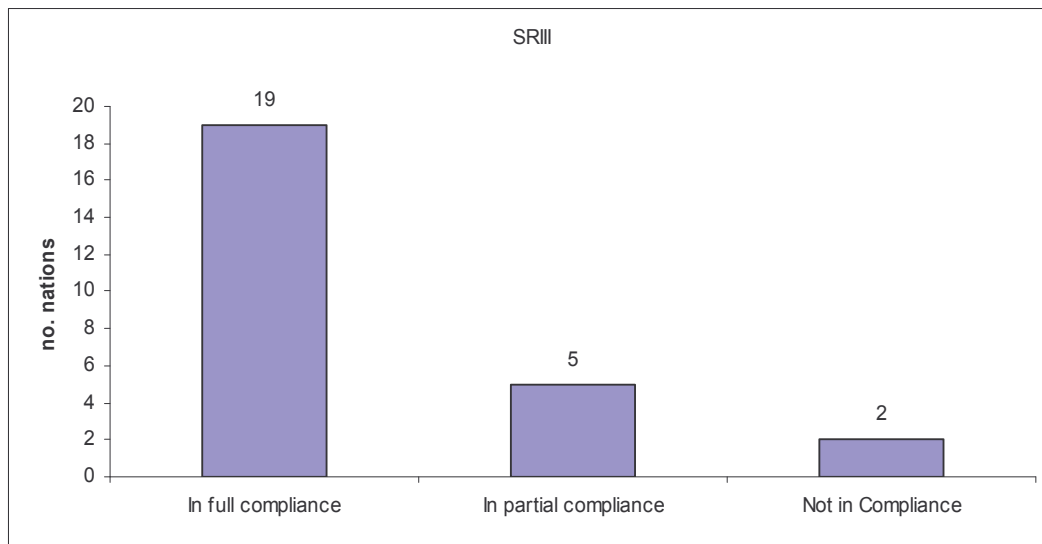
*Each country should also adopt and implement measures, including legislative ones, which would enable the competent authorities to seize and confiscate property that is the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations.*

Compliance with Special Recommendation III has three major elements. Each contains more than one component. All component parts had to be satisfied in order for a jurisdiction to be categorised as being in full compliance. Those central features have been described in the Guidelines in the following terms:

- Jurisdictions should have the authority to *freeze* funds or assets of (a) terrorists and terrorist organisations and (b) those who finance terrorist acts or terrorist organisations;
- They should have the authority to *seize* (a) the proceeds of terrorism or of terrorist acts, (b) the property used in terrorism, in terrorist acts or by terrorist organisations and (c) property intended or allocated for use in terrorism, in terrorist acts or by terrorist organisations; and

- They should have the authority to *confiscate* (a) the proceeds of terrorism or of terrorist acts, (b) the property used in terrorism, in terrorist acts or by terrorist organisations and (c) property intended or allocated for use in terrorism, in terrorist acts or by terrorist organisations.

The overall outcome can be illustrated thus<sup>7</sup>:



#### ***IV. Reporting suspicious transactions related to terrorism***

*If financial institutions, or other businesses or entities subject to anti-money laundering obligations, suspect or have reasonable grounds to suspect that funds are linked or related to, or are to be used for terrorism, terrorist acts or by terrorist organisations, they should be required to report promptly their suspicions to the competent authorities.*

<sup>7</sup> For a country by country breakdown see Appendix III.



As the Guidelines of March 2002 note, Special Recommendation IV contains two major elements:

- Jurisdictions should establish a requirement for making a report to competent authorities when there is a *suspicion* that funds are linked to terrorist financing; or
- Jurisdictions should establish a requirement for making a report to competent authorities when there are *reasonable grounds to suspect* that funds are linked to terrorist financing.

It should be stressed that satisfaction of *either* of the above is sufficient to merit a full compliance classification. As the same Guidelines state (at para. 21): “In the context of SRIV jurisdictions should establish a reporting obligation that may be based either on suspicion **or** on having reasonable grounds to suspect”.

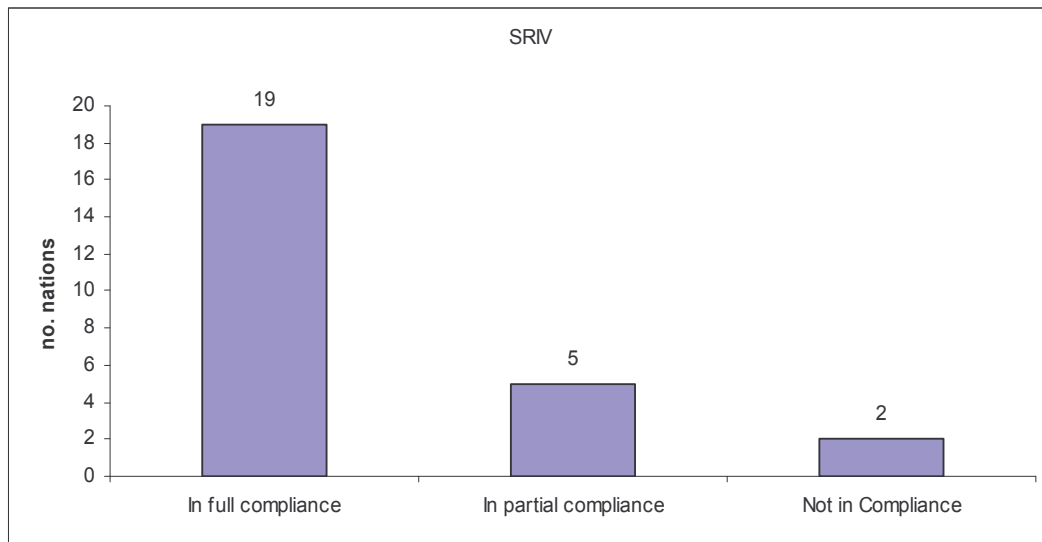
The text of the Special Recommendation makes reference, as noted above, to “financial institutions”. In a manner consistent with past practice the Questionnaire elicits information in respect of both bank and non-bank financial institutions. In the latter area it specified bureaux de change, stockbrokers, insurance companies, and money remittance/transfer services. Responses in each of these categories were utilised in assessing compliance. The Recommendation also refers to “other businesses or entities subject to anti-money laundering obligations”. The Questionnaire also sought information in this respect.<sup>8</sup> For ease of comparability as

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<sup>8</sup> See, question IV.1, f-g, and IV.2, f-g.

between member states, among other factors, data in this latter area were not utilised in compiling the country-by-country table at Appendix IV. It should therefore be emphasised that many member states provided specific information on this aspect of the Questionnaire.

The results of the self-assessment exercise in relation to Special Recommendation IV were as follows:



#### ***V. International co-operation***

*Each country should afford another country, on the basis of a treaty, arrangement or other mechanism for mutual legal assistance or information exchange, the greatest possible measure of assistance in connection with criminal, civil enforcement, and administrative investigations, inquiries and proceedings relating to the financing of terrorism, terrorist acts and terrorist organisations.*

*Countries should also take all possible measures to ensure that they do not provide safe havens for individuals charged with the financing of terrorism, terrorist acts or terrorist organisations, and should have procedures in place to extradite, where possible, such individuals.*

As noted in the Guidelines Special Recommendation V should be thought of as containing five key elements. Full satisfaction of each (including component parts thereof where relevant) is required for classification as being in full compliance.<sup>9</sup> The five elements are as follows:

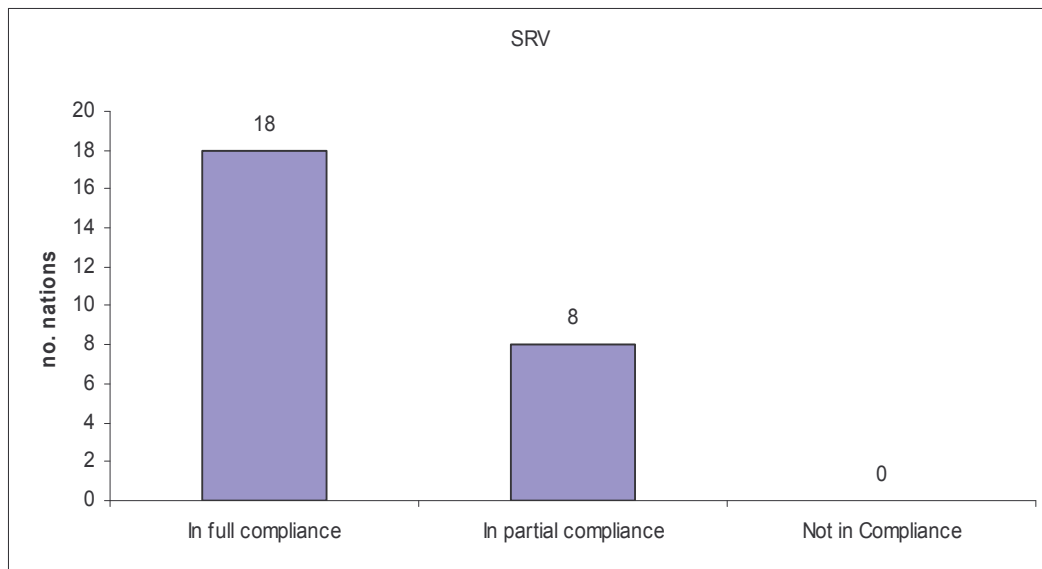
- Jurisdictions should permit the exchange of information regarding terrorist financing with other jurisdictions through *mutual legal assistance mechanisms*;
- Jurisdictions should permit the exchange of information regarding terrorist financing with other jurisdictions by means *other than through mutual legal assistance mechanisms*;
- Jurisdictions should have specific measures to permit the denial of “safe haven” to individuals involved in terrorist financing;
- Jurisdictions should have procedures that permit the extradition of individuals involved in terrorist financing; and
- Jurisdictions should have provisions or procedures to ensure that “claims of political motivation are not recognised as a ground for

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<sup>9</sup> The text of the Special Recommendation makes reference, *inter alia*, to civil enforcement and this terminology is addressed in par. 27 of the Guidelines . Similarly, the Questionnaire elicits information in this subject area. See, eg, questions V.1.b and V.3.b. It is understood that concerns as to the lack of equivalence in this area as between national legal systems has resulted in the FATF excluding this element of the Recommendation from the compliance assessment process. The same position has been adopted in this report.

refusing requests to extradite persons alleged to be involved in terrorist financing”.

The results on a jurisdiction specific basis are set out in Appendix V. At a more general level the outcome can be illustrated as follows:



It is of interest to note that 25 jurisdictions indicated an ability to respond to mutual legal assistance requests relating to the financing of terrorism, terrorist acts and terrorist organisations. All but three could do so through non-MLAT channels within the context of criminal investigations. One area of difficulty arises in relation to the continued application of the political offence exception in relation to extradition. Here four jurisdictions provided a negative answer to the relevant question<sup>10</sup>.

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<sup>10</sup> Question V.8.

## ***VI. Alternative remittance***

*Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions.*

The Guidelines identify three major elements from the above. These are that:

- Jurisdictions should require licensing **or** registration of persons or legal entities providing money/value transmission services, including through informal systems or networks:
- Jurisdictions should ensure that money/value transmission services, including informal systems or networks, are subject to FATF Recommendations 10-12 and 15<sup>11</sup>; and
- Jurisdictions should be able to impose sanctions on money/value transmission services, including informal systems or networks, that fail to obtain a license/register and that fail to comply with relevant FATF Recommendations.

It is also possible to deduce from the text and from the Questionnaire<sup>12</sup> a further dimension; namely that the country in question has designated a licensing or

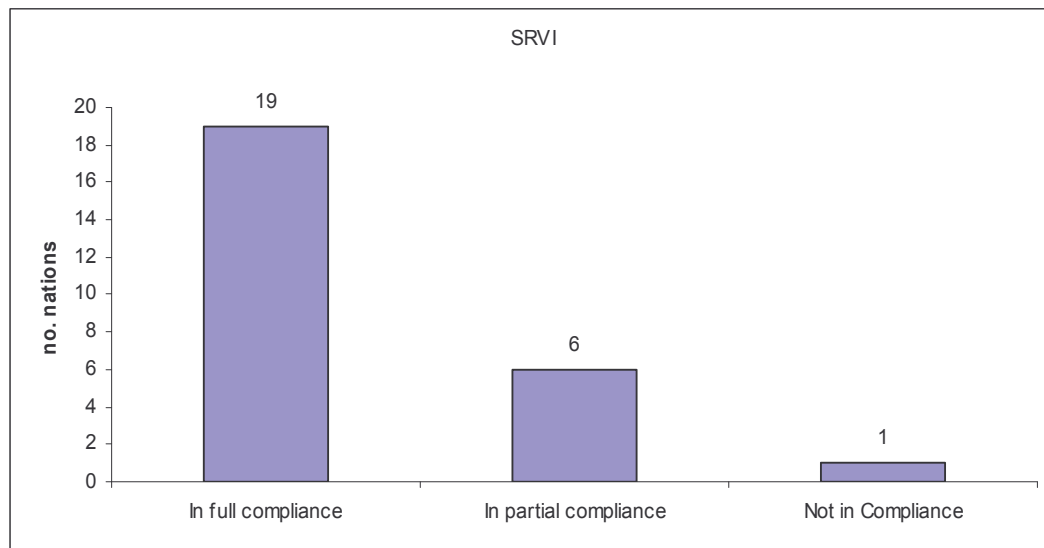
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<sup>11</sup> These references are to the 1996 version of the FATF Recommendations.

<sup>12</sup> See, question VI.3.

registration authority and an authority to ensure compliance by money/value transmission services, including informal systems or networks, with the relevant FATF Recommendations. Satisfaction of all four elements has been taken to be required in order to be classified as being in full compliance<sup>13</sup>. However, it should also be noted that where it is indicated in the Questionnaire that **either** licensing **or** registration is considered to meet the requirements of the Recommendation this has been factored into the analysis<sup>14</sup>.

The overall results can be illustrated in the following manner<sup>15</sup>:



<sup>13</sup> It is understood that this approach is consistent with that adopted within the FATF.

<sup>14</sup> See, eg, questions VI.1a and b. In compiling the relevant part of Appendix VI two 'yes' responses have been taken to mean 'yes'; one 'yes' and one 'no' to mean 'yes'; and two 'no' responses to mean 'no'

<sup>15</sup> For a more detailed account see Appendix VI

## ***VII. Wire transfers***

*Countries should take measures to require financial institutions, including money remitters, to include accurate and meaningful originator information (name, address and account number) on funds transfers and related messages that are sent, and the information should remain with the transfer or related message through the payment chain.*

*Countries should take measures to ensure that financial institutions, including money remitters, conduct enhanced scrutiny of and monitor for suspicious activity funds transfers which do not contain complete originator information (name, address and account number).*

This innovative Special Recommendation consists of three central elements each of which possesses several subparts. Subject to what is said below in relation to bureaux de change, a positive response was required for each component part in order to merit the classification of being in full compliance. The three central elements are described in the Guidelines in the following terms:

- Jurisdictions should require financial institutions to include originator information on funds transfers sent within or from the jurisdiction;
- Jurisdictions should require financial institutions to retain information on the originator of funds transfers, including at each stage of the transfer process; and

- Jurisdictions should require financial institutions to examine more closely or to monitor funds transfers when complete originator information is not available.

The same text also notes that for these purposes “three categories of financial institution are specifically concerned (banks, bureaux de change and money remittance/transfer services), although other financial services (for example, stockbrokers, insurance companies, etc.) may be subject to such requirements in certain jurisdictions” (para.35). It should be noted that the electronic version of the Questionnaire, available from the FATF website, includes a “not applicable” response in relation to bureaux de change in addition to the normal “yes” and “no” values. As will be seen from Appendix VII this response was utilised by several MONEYVAL member states.<sup>16</sup>

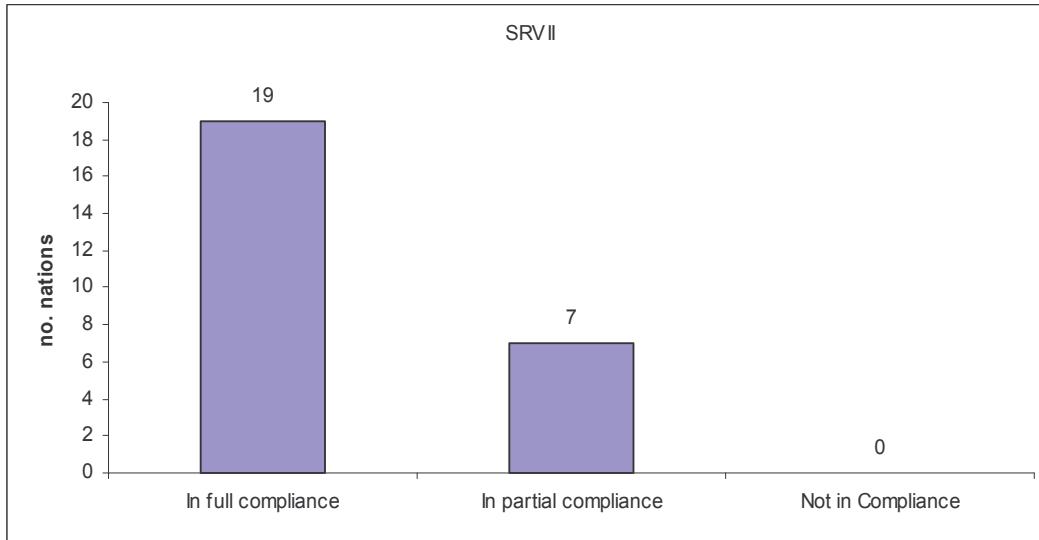
The overall results of the self-assessment exercise in this sphere were as follows<sup>17</sup>:

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<sup>16</sup> Elsewhere certain states have, in addition, and in a manner pursuant to or consistent with para. 5 of the instructions to the questionnaire, indicated that a particular ‘N’ response was in reality ‘not applicable’.

<sup>17</sup> For country by country detail see Appendix VII.





### ***VIII. Non-profit organisations***

*Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused:*

- i. by terrorist organisations posing as legitimate entities;*
- ii. to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and*
- iii. to conceal or obscure the clandestine diversion of funds intend for legitimate purposes to terrorist organisations*

For the reasons stated at an earlier stage no analysis of the data provided by member states in relation to Special Recommendation VIII has been undertaken for the purposes of this report.

## IV CONCLUSIONS

The overall compliance results for each member state which participated in the 2004 self assessment exercise are set out in Table I below (C = in full compliance; P = in partial compliance; N = not in compliance):

**TABLE I**

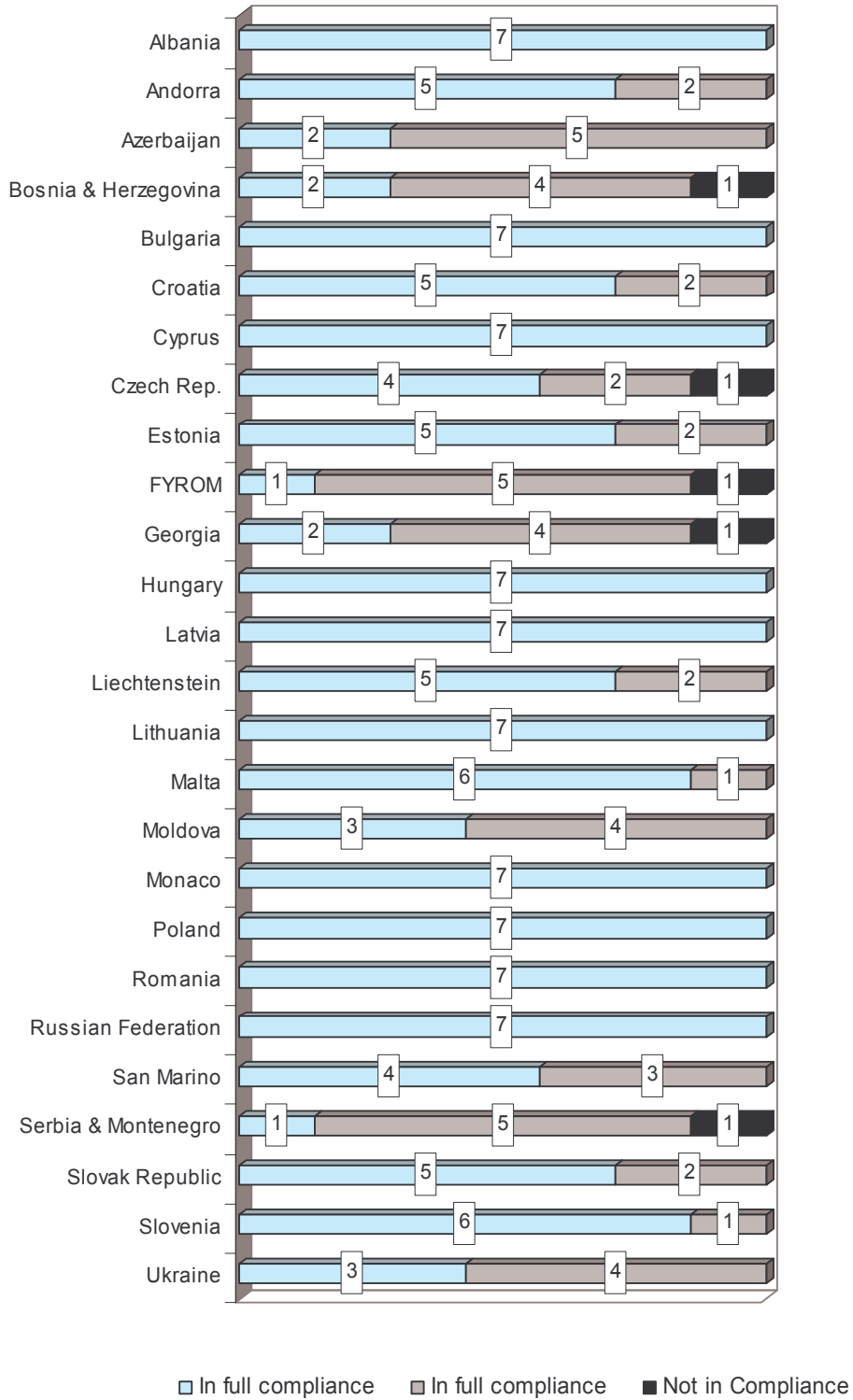
### Overview of compliance status, by nation

NATION	SRI	SRII	SRIII	SRIV	SRV	SRVI	SRVII
Albania	C	C	C	C	C	C	C
Andorra	P	C	C	C	C	C	P
Azerbaijan	C	P	P	P	P	P	C
Bosnia & Herzegovina	C	C	N	P	P	P	P
Bulgaria	C*	C	C	C	C	C	C
Croatia	P	C	C	C	P	C	C
Cyprus	C	C	C	C	C	C	C
Czech Rep.	P	C	C	N	P	C	C
Estonia	C	C	C	P	C	P	C
FYROM	P	P	P	N	P	P	C
Georgia	P	C	P	P	C	N	P
Hungary	C	C	C	C	C	C	C
Latvia	C	C	C	C	C	C	C
Liechtenstein	P	C	C	C	C	C	P
Lithuania	C	C	C	C	C	C	C
Malta	P	C	C	C	C	C	C
Moldova	P	C	C	C	P	P	P
Monaco	C	C	C	C	C	C	C
Poland	C*	C	C	C	C	C	C
Romania	C	C	C	C	C	C	C
Russian Federation	C	C	C	C	C	C	C
San Marino	P	P	P	C	C	C	C
Serbia & Montenegro	P	P	N	P	P	P	C
Slovak Republic	P	C	C	C	C	C	P
Slovenia	P	C	C	C	C	C	C
Ukraine	P	C	P	C	P	C	P

Note: Bulgaria and Poland have not provided confirmation of their status with regard to question I.3e relating to the implementation of S/RES/1390(2002) but meet all other criteria for complying with SRI; they have therefore been assigned provisional 'C\*' status. Croatia and Slovenia have also not provided this data but their overall compliance status could not be affected by its provision.

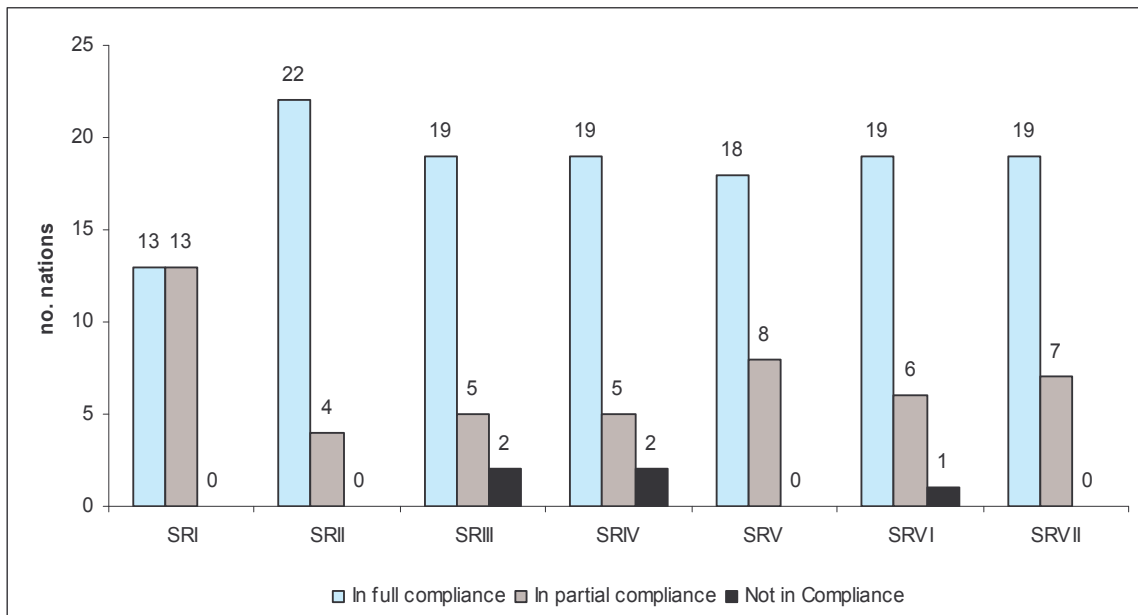
Within the limitations of a self-assessment exercise of this kind it is clear that the results present a positive overall picture of continuing progress in giving effect to these important international standards. This is well illustrated by the “Overview Figure” graphic presented below. It will be noted, in particular, that 10 jurisdictions now classify themselves as being in full compliance with the Special Recommendations. By way of contrast no-member state was in a position to make this highly positive assessment as of 30 September 2002. The percentage of returns indicting non-compliance with individual recommendations has also continued to decline.

### OVERVIEW FIGURE



As was seen in Section II above, the results for each member state represent a snapshot of progress towards compliance with the seven relevant Special Recommendations as of no later than May 2004. A common feature of the Questionnaire responses were the numerous indications of governmental intent to move, in a timely fashion, towards enhanced compliance with different aspects of the framework of measures. Such indications have been excluded from the analysis. However, it should be borne in mind that even relatively modest compliance enhancement initiatives would have a significant impact on the above classifications for certain jurisdictions. Caution is therefore required in the appreciation of this data.

The results, on a recommendation by recommendation basis, can be depicted as follows:



The highest level of full compliance (approximately 85 percent is recorded in relation to Special Recommendation II (criminalisation of the financing of terrorism and associated money laundering). The area of greatest overall weakness is the same as at the time of the first report; namely, satisfaction of the requirements of Special Recommendation I (ratification and implementation of UN instruments). However, even here marked progress has been recorded. As was seen at an earlier stage of this study, as of 30 September 2002 only 3 jurisdictions of those responding (ie., approximately 14 per cent) classified themselves as being in full compliance. This has risen to 13 members (exactly 50 percent) in the current exercise.

These results will assist MONEYVAL, its Bureau, and individual jurisdictions in focusing their continuing efforts to create as inhospitable an environment as possible for those who seek to finance terrorist activities. It is to be hoped that they will also provide assurance to the wider international community that progress continues to be recorded in this important area of common concern.

Council of Europe Secretariat  
Strasbourg  
June 2004.

APPENDIX I

Special Recommendation I: Ratification and implementation of UN instruments

NATION	UN Convention		Implementation of UN Security Council Resolutions					SRI STATUS
	signed/ ratified	fully implemented	no.1267 1999	no.1269 1999	no.1333 2000	no.1373 2001	no.1390 2002	
	I.1	I.1	I.3a	I.3b	I.3c	various	1.3e	
Albania	C	C	C	C	C	C	C	C
Andorra	P	N	C	C	C	C	C	P
Azerbaijan	C	C	C	C	C	C	C	C
Bosnia & H'zga	C	C	C	C	C	C	C	C
Bulgaria	C	C	C	C	C	C	?	C*
Croatia	C	C	C	N	C	C	?	P
Cyprus	C	C	C	C	C	C	C	C
Czech Rep.	P	C	C	C	C	C	C	P
Estonia	C	C	C	C	C	C	C	C
FYROM	P	P	N	P	N	N	N	P
Georgia	C	C	N	P	N	C	N	P
Hungary	C	C	C	C	C	C	C	C
Latvia	C	C	C	C	C	C	C	C
Liechtenstein	P	P	C	P	C	P	P	P
Lithuania	C	C	C	C	C	C	C	C
Malta	C	P	C	P	C	P	P	P
Moldova	P	P	C	C	C	C	C	P
Monaco	C	C	C	C	C	C	C	C
Poland	C	C	C	C	C	C	?	C*
Romania	C	C	C	C	C	C	C	C
Russian Fed.	C	C	C	C	C	C	C	C
San Marino	C	P	C	C	C	C	C	P
Serbia & M'gro	C	N	N	N	N	N	N	P
Slovak Rep.	C	C	C	P	C	C	C	P
Slovenia	P	N	C	C	C	C	?	P
Ukraine	C	P	C	P	P	C	C	P

APPENDIX II

**Special Recommendation II: Criminalising the financing of terrorism and associated money laundering**

NATION	Criminalisation	Predicate offence for money laundering	Offence applies if committed in another State	SRII STATUS
	II.1 (37)	II.2 (39)	II.3 (41)	
Albania	Y	Y	Y	C
Andorra	Y	Y	Y	C
Azerbaijan	Y	N	Y	P
Bosnia & H'zga	Y	Y	Y	C
Bulgaria	Y	Y	Y	C
Croatia	Y	Y	Y	C
Cyprus	Y	Y	Y	C
Czech Rep.	Y	Y	Y	C
Estonia	Y	Y	Y	C
FYROM	N	Y	Y	P
Georgia	Y	Y	Y	C
Hungary	Y	Y	Y	C
Latvia	Y	Y	Y	C
Liechtenstein	Y	Y	Y	C
Lithuania	Y	Y	Y	C
Malta	Y	Y	Y	C
Moldova	Y	Y	Y	C
Monaco	Y	Y	Y	C
Poland	Y	Y	Y	C
Romania	Y	Y	Y	C
Russian Fed.	Y	Y	Y	C
San Marino	P	P	P	P
Serbia & M'gro	N	Y	Y	P
Slovak Rep.	Y	Y	Y	C
Slovenia	Y	Y	Y	C
Ukraine	Y	Y	Y	C

Note: San Marino indicated 'N' to all responses for SRII in the revised survey. The responses from the first report are used in the above table



APPENDIX III

Special Recommendation III: Freezing and confiscation of terrorist assets

NATION	Freezing		Seizure			Confiscation			SRII STATUS
	III.1a	III.1b	III.2a	III.2b	III.2c	III.3a	III.3b	III.3c	
Albania	Y	Y	Y	Y	Y	Y	Y	Y	C
Andorra	Y	Y	Y	Y	Y	Y	Y	Y	C
Azerbaijan	Y	N	Y	Y	Y	Y	Y	Y	P
Bosnia & H'zga	N	N	N	N	N	N	N	N	N
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	C
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	C
Cyprus	Y	Y	Y	Y	Y	Y	Y	Y	C
Czech Rep.	Y	Y	Y	Y	Y	Y	Y	Y	C
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	C
FYROM	N	N	Y	Y	Y	N	N	N	P
Georgia	Y	Y	Y	Y	Y	Y	Y	N	P
Hungary	Y	Y	Y	Y	Y	Y	Y	Y	C
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	C
Liechtenstein	Y	Y	Y	Y	Y	Y	Y	Y	C
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	C
Malta	Y	Y	Y	Y	Y	Y	Y	Y	C
Moldova	Y	Y	Y	Y	Y	Y	Y	Y	C
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	C
Poland	Y	Y	Y	Y	Y	Y	Y	Y	C
Romania	Y	Y	Y	Y	Y	Y	Y	Y	C
Russian Fed.	Y	Y	Y	Y	Y	Y	Y	Y	C
San Marino	Y	Y	N	N	N	N	N	N	P
Serbia & M'gro	N	N	N	N	N	N	N	N	N
Slovak Rep.	Y	Y	Y	Y	Y	Y	Y	Y	C
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	C
Ukraine	N	N	Y	Y	Y	Y	Y	Y	P

APPENDIX IV

**Special Recommendation IV: Reporting suspicious transactions related to terrorism**

NATION	Suspect (IV. 1)					Reasonable grounds to suspect (IV.2)					SRIV STATUS
	a	b	c	d	e	a	b	c	d	e	
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Andorra	Y	N/A	N/A	Y	N/A	Y	N/A	N/A	Y	N/A	C
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	P
Bosnia & H'zga	Y	Y	N	N	N	Y	Y	N	N	N	P
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Cyprus	Y	N/A	Y	Y	Y	Y	N/A	Y	Y	Y	C
Czech Rep.	N	N	N	N	N	N	N	N	N	N	N
Estonia	Y	N	Y	Y	N	Y	N	Y	Y	N	P
FYROM	N	N	N	N	N	N	N	N	N	N	N
Georgia	Y	Y	Y	Y	N	Y	Y	Y	Y	N	P
Hungary	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Liechtenstein	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Malta	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Moldova	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Russian Fed.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
San Marino	Y	N/A	N/A	N/A	N/A	Y	N/A	N/A	N/A	N/A	C
Serbia & M'gro	Y	Y	Y	Y	N	Y	Y	Y	Y	N	P
Slovak Rep.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Slovenia	Y	Y	Y	Y	N/A	Y	Y	Y	Y	N/A	C
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C

APPENDIX V

**Special Recommendation V: International Co-operation**

<i>NATION</i>	V.1a	V.2	V.3a	V.3c	V.5	V.6a	V.6b	V.6c	V.7	V.8	SRV status
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Andorra	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Azerbaijan	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	P
Bosnia & H'zga	Y	Y	N	N	Y	Y	Y	Y	Y	N	P
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	P
Cyprus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Czech Rep.	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	P
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
FYROM	Y	Y	Y	N	Y	N	N	N	Y	Y	P
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Hungary	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Liechtenstein	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Malta	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Moldova	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	P
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Russian Fed.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Serbia & M'gro	Y	N	N	N	N	N	N	N	N	N	P
Slovak Rep.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Ukraine	Y	Y	N	N	N	Y	Y	Y	Y	Y	P

APPENDIX VI

Special Recommendation VI: Alternative Remittance

NATION	VI.1a	VI.1b	Application of FATF Recommendations (V12)								Authority (VI.3)		Sanction (VI.4)		SRVI STATUS
			R.10		R.11		R.12		R.15		L/R	AML	L/R	AML	
			MR	IMT	MR	IMT	MR	IMT	MR	IMT					
<i>Albania</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Andorra</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Azerbaijan</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	N	Y	Y	P
<i>Bosnia &amp; H'zga</i>	N	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	P
<i>Bulgaria</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Croatia</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Cyprus</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Czech Rep.</i>	Y	Y	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Estonia</i>	N	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	P
<i>FYROM</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	P
<i>Georgia</i>	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
<i>Hungary</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Latvia</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Liechtenstein</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Lithuania</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Malta</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Moldova</i>	Y	N	Y	N	Y	N	Y	N	Y	N	Y	Y	Y	Y	P
<i>Monaco</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>Poland</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Romania</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Russian Fed.</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
<i>San Marino</i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N/A	NA	NA	NA	C
<i>Serbia &amp; M'gro</i>	Y	NA	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	N	N	P
<i>Slovak Rep.</i>	Y	Y	Y	NA	Y	NA	Y	NA	Y	NA	Y	Y	Y	Y	C
<i>Slovenia</i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N/A	NA	NA	NA	C
<i>Ukraine</i>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C

Note: Georgia's revised responses indicate 'non-compliance' with this SR. They were 'partially compliant' in the first report

APPENDIX VII

Special Recommendation VII: Wire Transfers

NATION	Include Information (VII.1)					Retain Information (VII.2)					Enhanced Security (VII.3)					SRVII STATUS
	VII.1a	VII.1b	VII.1c	VII.1d	VII.1e	VII.2a	VII.2b	VII.2c	VII.2d	VII.2e	VII.3a	VII.3b	VII.3c	VII.3d	VII.3e	
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Andorra	N	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	P
Azerbaijan	Y	N/A	N/A			Y	N/A	N/A			Y	N/A	N/A			C
Bosnia & H'zga	Y	Y	N/A	N	N	Y	Y	N/A	N	N	N	N	N/A	N	N	P
Bulgaria	Y	N/A	Y			Y	N/A	Y			Y	N/A	Y			C
Croatia	Y	N/A	Y			Y	N/A	Y			Y	N/A	Y			C
Cyprus	Y	N/A	Y			Y	N/A	Y			Y	N/A	Y			C
Czech Rep.	Y	N/A	Y			Y	N/A	Y			Y	N/A	Y			C
Estonia	Y	Y	Y	Y		Y	Y	Y	Y		Y	Y	Y	Y		C
FYROM	Y	Y	Y			Y	Y	Y			Y	Y	Y			C
Georgia	Y	N	N	Y		Y	N	N	N		Y	N	N	Y		P
Hungary	Y	N/A	Y			Y	N/A	Y			Y	Y	Y	Y		C
Latvia	Y	N/A	Y	Y		Y	N/A	Y	Y		Y	Y	Y	Y		C
Liechtenstein	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	P
Lithuania	Y	N/A	Y	Y	Y	Y	N/A	Y	Y	Y	Y	N/A	Y	Y	Y	C
Malta	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
Moldova	Y	N	Y	N	N	Y	N	Y	N	N	Y	N	Y	Y	Y	P
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	N/A	Y	Y	Y	Y	N/A	C
Poland	Y	N/A	Y			Y	N/A	Y			Y	N/A	Y			C
Romania	Y	N/A	Y	Y	Y	Y	N/A	Y	Y	Y	Y	N/A	Y	Y	Y	C
Russian Fed.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	C
San Marino	Y	N/A	N/A	Y		Y	N/A	N/A	Y		Y	N/A	N/A	Y		C
Serbia & M'gro	Y	N/A	N/A			Y	N/A	N/A			Y	N/A	N/A			C
Slovak Rep.	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	P
Slovenia	Y	N/A	N/A			Y	N/A	N/A			Y	N/A	N/A			C
Ukraine	Y	Y	Y			Y	Y	Y			N	N	N			P